

## Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01  
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15  
ICA-11 AID-05 DOE-15 SOE-02 EB-08 TRSE-00 OMB-01  
ACDA-12 AGRE-00 COME-00 STR-07 /126 W  
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R 280645Z JUL 78  
FM AMEMBASSY ANKARA  
TO SECSTATE WASHDC 2771  
INFO AMCONSUL ADANA  
USINT BAGHDAD  
AMCONSUL ISTANBUL  
AMCONSUL IZMIR  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY MOSCOW  
AMEMBASSY TEHRAN  
AMEMBASSY TRIPOLI  
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E.O. 11652 N/A  
TAGS: ENRG, EFIN, IZ, TU  
SUBJ: PROGRESS IN TURKISH RELATIONS WITH PETROLEUM SUPPLIERS

REF: (A) ANKARA 5123, (B) BAGHDAD 1304, (C) ANKARA 4638

(D) ANKARA 4745, (E) ANKARA 5094, (F) ANKARA 5133

SUMMARY: TURKEY IS MAKING PROGRESS IN IMPROVING ECONOMIC  
RELATIONS WITH THREE OIL EXPORTERS (LIBYA, IRAN, AND THE  
SOVIET UNION). BUT TURKISH RELATIONS WITH IRAQ, ITS MAIN  
CRUDE SUPPLIER UNTIL THIS YEAR, HAVE BEEN DEVELOPING AT  
A SNAIL'S PACE. TURKEY HAS ALREADY STARTED RECEIVING  
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PETROLEUM ON CREDIT FROM LIBYA, THE IRANIAN COUNCIL OF  
MINISTERS HAS REPORTEDLY APPROVED \$150 MILLION IN OIL  
CREDITS FOR TURKEY, AND TURKEY IS ARRANGING TO RECEIVE  
SOVIET OIL SOON. MEANWHILE, TURKISH-IRAQI RELATIONS  
ARE APPARENTLY STALLED UNTIL THE TWO COUNTRIES CAN REACH  
AGREEMENT ON PRICES OF TURKISH EXPORTS OF AGRICULTURAL  
AND INDUSTRIAL GOODS PLANNED DURING A VISIT BY A COMMERCIAL

DELEGATION FROM IRAQ, JULY 10-14. END SUMMARY.

1. TURKISH EFFORTS TO IMPROVE ECONOMIC RELATIONS WITH LIBYA, IRAN, AND THE SOVIET UNION ARE BEGINNING TO PRODUCE RESULTS, BUT PROGRESS IS SLOW WITH RESPECT TO IRAQ.

2. TURKEY HAS STARTED TO RECEIVE SHIPMENTS OF CRUDE OIL FROM LIBYA UNDER TERMS OF FIVE-YEAR TRADE AND CREDIT AGREEMENTS REACHED WITH THAT COUNTRY IN MAY (REF C). DEPUTY GOVERNOR OF TURKEY'S CENTRAL BANK, NACI TIBET, PROVIDED EMBOFF WITH FOLLOWING DETAILS ON AGREED CREDITS:

- (1) ARAB-TURKISH BANK IN ISTANBUL WILL OPEN JULY 31, 1978;
- (2) LIBYA INTENDS TO COMPLETE ARRANGEMENTS ON AUGUST 7 FOR THIS BANK TO PROVIDE TURKEY ON AUGUST 10 THE \$100 MILLION OF UNRESTRICTED PROGRAM CREDITS AGREED UPON;
- (3) THESE CREDITS WILL BE "HOT MONEY" TO BE USED IMMEDIATELY FOR TURKEY'S URGENT NEEDS;
- (4) INTEREST RATE WILL BE 0.75 PERCENT ABOVE LIBOR, SIGNIFICANTLY ABOVE 8.5 PERCENT RATE REPORTED IN REF A;
- (5) CREDITS WILL BE REPAYED OVER NEXT FIVE YEARS.

3. TURKISH PRESS OF JULY 20 REPORTED THAT IRANIAN COUNCIL OF MINISTERS APPROVED A LOAN OF \$150 MILLION TO TURKISH CENTRAL BANK TO FINANCE TURKISH IMPORTS OF IRANIAN OIL LIMITED OFFICIAL USE

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AGREED UPON IN TEHRAN JULY 7 (REF A). HOWEVER, GOT HAS NOT YET RECEIVED ANY OFFICIAL NOTICE THAT IRANIAN GOVERNMENT WILL OFFER THIS MUCH OIL CREDIT.

4. VICE PRESIDENT OF TURKISH PETROLEUM CORPORATION (TPAO) ISMAIL KAFESCIOGLU TOLD EMBOFF ON JUNE 26 THAT TURKRYE AND THE SOVIET UNION MAY BE ABLE TO REACH AGREEMENT SOON UPON TERMS OF SOVIET OIL EXPORTS PLANNED DURING PRIME MINISTER ECEVIT'S RECENT VISIT TO MOSCOW (REFS D, E, AND F). KAFESCIOGLU SAID ARRANGEMENTS HAD BEEN PLANNED AT A MEETING CHAIRED BY MINISTER OF STATE HIKMET CETIN AND ATTENDED BY REPRESENTATIVES OF ALL TURKISH STATE ECONOMIC ENTERPRISES PARTICIPATING IN ECONOMIC COOPERATION WITH THE SOVIET UNION, AS WELL AS OFFICIALS FROM STATE PLANNING OFFICE, MINISTRY OF COMMERCE, AND MFA. IN EARLY AUGUST, A DELEGATION OF TURKISH OIL EXPERTS HEADED BY TPAO MARKETING DIRECTOR TOKMAN WILL VISIT THE SOVIET UNION TO DISCUSS TURKISH OIL IMPORTS AND SOVIET PARTICIPATION IN TURKISH OIL EXPLORATION. KAFESCIOGLU SAID HE WOULD NOT BE

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R 280645Z JUL 78  
FM AMEMBASSY ANKARA  
TO SECSTATE WASHDC 2772  
INFO AMCONSUL ADANA  
USINT BAGHDAD  
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SURPRISED IF ANKARA AND MOSCOW WERE ABLE TO AGREE UPON  
THE TERMS OF SOVIET OIL EXPORTS IN TIME TO INCLUDE THE  
OIL IN THE THREE-YEAR TRADE AGREEMENT WHICH TURKISH  
MINISTER OF COMMERCE PREVIOUSLY TOLD TURKISH PRESS  
WOULD BE ANNOUNCED AUGUST 20 (REF A).

5. AFTER A WEEK OF CONSULTATIONS IN ANKARA WITH THE GOT  
JULY 10-14 (REF A), A MID-LEVEL IRAQI COMMERCIAL DELEGATION  
RETURNED TO BAGHDAD, UNABLE TO AGREE WITH THE TURKS ON  
PRICES FOR TURKISH EXPORTS OF VARIOUS AGRICULTURAL  
AND INDUSTRIAL GOODS OVER THE FOLLOWING TWO YEARS.  
SOURCE OF THIS INFORMATION IS SANLI TOPUZCUOGLU, MFA  
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PETROLEUM EXPERT. DURING THESE COMMERCIAL CONSULTATIONS,

IRAQ AGREED TO PURCHASE 400,000 TONS OF TURKISH WHEAT DURING THE NEXT TWO YEARS AND 60 TURKISH BUSES, AS WELL AS SMALL AMOUNTS OF LENTILS, HAZELNUTS, PISTACHIOS, SULTANAS, AND TEA, AND UNSPECIFIED AMOUNTS OF TURKISH AUTO-MOBILES AND REFRIGERATORS. SOURCE TOLD EMBOFF ON JULY 24 THAT THE TWO SIDES WERE ABLE TO AGREE UPON THE PRICES FOR ONLY \$5 MILLION WORTH OF TURKISH EXPORTS; THE GOT, HE SAID, IS NOW AWAITING AN OFFER FROM IRAQ ON PRICES FOR TURKISH WHEAT, CEMENT, GLASS, AND AUTOMOBILES.

6. TURKISH-IRAQI TALKS WERE STRICTLY COMMERCIAL, ACCORDING TO TOPUZCUOGLU, AND NO LINK HAS YET BEEN ESTABLISHED BETWEEN TURKEY'S EARNINGS FROM SUCH EXPORTS AND TURKEY'S OIL ARREARS TO IRAQ. SUCH A LINK WILL NOT BE ESTABLISHED UNTIL NEGOTIATIONS BEGIN ON TURKEY'S OIL DEBTS, HE TOLD EMBOFF ON JULY 25. HE WOULD NOT HAZARD A GUESS AS TO WHEN THAT WILL BE, EXPLAINING ONLY THAT IRAQ'S INVITATION TO TURKISH ENERGY MINISTER DENIZ BAYKAL TO VISIT BAGHDAD "AT HIS EARLIEST CONVENIENCE" HAS BEEN "DELAYED".

7. TOPUZCUOGLU REPORTS THAT IT IS NOT YET EVIDENT WHEN IRAQ WILL RESUME PUMPING CRUDE TO TURKEY THROUGH THE PIPELINE. TURKEY'S ONLY IMPORTS OF OIL FROM IRAQ SINCE THE BEGINNING OF THE YEAR HAVE BEEN THROUGH SPOT PURCHASES (CASH TERMS) WHICH ARE NOT SHIPPED VIA THE PIPELINE, HE EXPLAINED.

8. ANOTHER SOURCE SAYS THAT THE GOT ALSO AWAITS AN IRAQI INITIATIVE CONCERNING THE PROPOSED RAIL LINK BETWEEN IRAQ AND TURKEY (REF B). ERDAL COSKUN, CHIEF ENGINEER AT TURKEY'S MINISTRY OF TRANSPORTATION, TOLD LIMITED OFFICIAL USE

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EMBOFF ON JULY 24 THAT A DELEGATION OF IRAQI TRANSPORTATION EXPERTS IS EXPECTED TO VISIT ANKARA AT SOME TIME IN THE INDEFINITE FUTURE TO ARRANGE FOR CONSTRUCTION OF A RAIL LINK 130KMS. LONG BETWEEN MOSUL, IRAQ, AND NUSAYBIN, TURKEY. THIS WOULD RESTORE IRAQ'S RAILROAD LINK WITH EUROPE, WHICH WAS SEVERED IN NOVEMBER 1977 WHEN SYRIA CLOSED ITS BORDERS TO TRAINS BOUND FOR IRAQ. COSKUN EXPLAINED THAT THE NEW LINK IS PARTICULARLY IMPORTANT FOR IRAQ BECAUSE BRIDGING THE GAP BY USE OF TURKISH TRUCKS ENTAILS DELAYS.

9. COMMENT: ALTHOUGH TURKEY CONTINUES TO MAKE PROGRESS TOWARD ASSURING THAT IT HAS ACCESS TO FOREIGN OIL SUPPLIES, IT WILL HAVE TO CONTINUE PURCHASING THE BULK OF ITS OIL IMPORTS ON THE SPOT MARKET UNTIL IT CAN ARRANGE CREDITS OR PAYMENTS IN KIND WITH MAJOR SUPPLIERS SUCH

AS IRAQ, WHICH SUPPLIED 56 PERCENT OF TURKEY'S  
CRUDE IMPORTS IN 1977. IN ADDITION TO ITS OBVIOUS  
DESIRE TO REDUCE EXPENDITURES OF SCARCE FOREIGN EXCHANGE  
FOR OIL, TURKEY SEEKS A FINANCIAL AND COMMERCIAL AGREE-  
MENT WITH IRAQ FOR THREE REASONS, ACCORDING TO VICE  
PRESIDENT OF TPAO: TO

- 1) SAVE PAYING THE PREMIUMS WHICH ARE  
CURRENTLY NECESSARY FOR SPOT PURCHASES OF CRUDE;
- 2) RESTORE OPERATION OF THE IRAQ-TURKEY  
PIPELINE TO FULL CAPACITY IN ORDER TO  
MAXIMIZE ROYALTY EARNINGS;
- 3) MINIMIZE THE RISK THAT TURKEY'S ECONOMIC  
ACTIVITY WILL BE DEPRESSED BY DISRUPTIONS IN ITS OIL  
SUPPLY, 86 PERCENT OF WHICH IS CURRENTLY IMPORTED.

10. HASAN CEMAL REPORTED FROM BAGHDAD IN LEFTIST  
CUMHURİYET JULY 23 THAT OUTLOOK FOR TURKISH-IRAQI  
RELATIONS LOOKS NO MORE PROMISING IN BAGHDAD THAN IT  
DOES IN ANKARA. UNDER HEADLINE "AN ACRID WIND IS BLOWING  
IN BAGHDAD AS IN ANKARA", CEMAL WROTE THAT A POLITICAL  
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WALL HAS BEEN BUILT BETWEEN ANKARA AND BAGHDAD DUE TO A NUMBER OF OUTSTANDING PROBLEMS BETWEEN THE TWO COUNTRIES: TURKEY'S OIL ARREARS, ITS DIVERSION OF WATER FROM THE TIGRIS AND EUPHRATES RIVERS, LACK OF PROGRESS IN AGREEING TO A RAIL LINK, AND TIR DIFFICULTIES. ACCORDING TO CEMAL, TURKISH MINISTER OF CULTURE AHMET KISLALI WAS SENT TO BAGHDAD RECENTLY TO FIND OUT WHY IRAQ CLOSED DOWN TURKEY'S CULTURAL CENTER IN KIRKUK. HOWEVER, THE ARTICLE DOES NOT SAY WHAT THE EXPLANATION WAS NOR DOES IT METNION IRAQ'S CURRENT DESIRE FOR TURKISH COOPERATION IN CONTROLLING THE KURDS NEAR THE IRAQ-TURKEY BORDER.

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1. IN CONTRAST, TURKISH PRESS OF JULY 26 GAVE AN OPTIMISTIC REPORT. IT SAID THAT ASSISTANT SECRETARY GENERAL OF REPUBLICAN PEOPLE'S PARTY COSKUN KARAGOZOGLU RETURNED FROM A VISIT TO BAGHDAD WITH AN OFFICIAL INVITATION FOR PRIME MINISTER BULENT ECEVIT TO VISIT IRAQ AS A MOVE TOWARD REVITALIZING TURKISH-IRAQI RELATIONS. KARAGOZOGLU, WHO HEADED THE TURKISH DELEGATION TO THE IRAQI REPUBLIC'S TENTH ANNIVERSARY CELEBRATION, WAS QUOTED AS SAYING THAT HE HAD HELD COMPREHENSIVE DISCUSSIONS WITH IRAQI AUTHORITIES, FROM WHICH HE CONCLUDED THAT THE IRAQ REVOLUTIONARY COMMAND COUNCIL HAD DECIDED TO IMPROVE IRAQI RELATIONS WITH TURKEY. HE EXPECTED THAT IRAQ WOULD BE WILLING TO RESCHEDULE TURKEY'S OIL DEBTS AND TO RESUME CRUDE PUMPING THROUGH THE IRAQ-TURKEY PIPELINE.

12. KARAGOZOGLU'S UPBEAT ANNOUNCEMENT IS ENCOURAGING. HOWEVER, EMBASSY NOTES THAT TURKISH PRESS PREVIOUSLY EXPRESSED HOPE THAT JULY 10-14 CONSULTATIONS WOULD LEAD TO RESUMPTION OF IRAQI OIL SUPPLY THROUGH PIPELINE BY END OF JULY (REF A). EMBASSY CONTINUES TO EXPECT THAT IT MAY TAKE SEVERAL MONTHS FOR IRAQ AND TURKEY TO WORK OUT THEIR FINANCIAL AND COMMERCIAL PROBLEMS. HOWEVER, WE SEE NO REASON TO DOUBT TOPUZCUOGLU'S STATEMENT THAT THE NEXT MOVE IS FOR IRAQ AND TURKEY TO SETTLE ON THE PRICE OF TURKISH

EXPORTS. THIS STATEMENT WAS CONFIRMED TO EMBOFF ON  
JULY 26 BY TURKISH SOIL PRODUCTS OFFICE SALES MANAGER  
YILDIRIM ALPERGUN, WHO INSISTS THAT TURKEY WOULD HAVE  
NO DIFFICULTY EXPORTING THE AGREED 400,000 TONS OF  
WHEAT TO IRAQ VIA LAND AND SEA ROUTES AND THAT TURKEY  
HAS ADEQUATE WHEAT TO SPARE FOR THIS PURPOSE. DILLON

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## Message Attributes

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**Draft Date:** 28 jul 1978  
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